

VZCZCXRO7069  
RR RUEHCD RUEHGD RUEHHO RUEHMC RUEHNG RUEHNL RUEHRD RUEHRS RUEHTM  
DE RUEHME #0806/01 0451813  
ZNR UUUUU ZZH  
R 141813Z FEB 06  
FM AMEMBASSY MEXICO  
TO RUEHC/SECSTATE WASHDC 8923  
INFO RUEATRS/DEPT OF TREASURY WASHDC  
RUCPDO/DEPT OF COMMERCE WASHDC  
RUEHXC/ALL US CONSULATES IN MEXICO COLLECTIVE

UNCLAS SECTION 01 OF 02 MEXICO 000806

SIPDIS

SENSITIVE  
SIPDIS

STATE FOR WHA/MEX, WHA/EPSC  
STATE PASS USAID FOR LAC:MARK CARRATO  
TREASURY FOR IA MEXICO DESK: JASPER HOEK  
COMMERCE FOR ITA/MAC/NAFTA: ANDREW RUDMAN

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [EINV](#) [PGOV](#) [PINR](#) [MX](#)

SUBJECT: CANDIDATES PLAY TO AUDIENCES ON THE CAMPAIGN TRAIL

REF:

-----  
SUMMARY  
-----

¶1. (SBU) On the campaign trail the week of February 6, the three main presidential candidates, Andres Manuel Lopez Obrador (AMLO), Felipe Calderon, and Roberto Madrazo, concerned about losing potential votes in a close race have avoided detailed explanations of their economic proposals and focused mainly on populist and non-controversial themes. Madrazo caved in to government workers by withdrawing support from a needed pension reform bill, AMLO pledged non-partisan government, and Calderon promoted tourism development. All three are touting their energy proposals with Calderon backing private investment through joint-ventures with Pemex, Madrazo backing some limited private investment, and AMLO promising cheaper energy, while opposing private investment. Bankers overwhelmingly supported Calderon in a straw poll at a February 7 meeting. End summary.

-----  
MADRAZO'S FIRST DEFEAT ON A STRUCTURAL REFORM  
-----

¶2. (SBU) As the major presidential candidates continued to tour the country campaigning the week of February 6, they avoided taking any potentially unpopular positions on major issues. More than five months prior to the election, Institutional Revolutionary Party (PRI) candidate Roberto Madrazo has already caved in on a key reform - of government employee pensions. Speaking to members of the National Government Workers Union and facing numerous banners rejecting reforms to the overly generous and financially troubled government employee pension system (ISSSTE), Madrazo promised to withhold support for the pending reforms.

-----  
AMLO PROMISES TO BE A RESPONSIBLE LEADER  
-----

¶3. (SBU) In a meeting with academics and business representatives, Party of the Democratic Revolution (PRD) candidate AMLO promised to strengthen government, but to do so without a return to authoritarian measures and with respect for individual freedoms. As he has been doing throughout his campaign, he specifically aimed to soothe

business leaders' concerns by stressing his intent to govern "responsibly." He promised not to use institutions for partisan purposes, neither to help friends nor to destroy "enemies." To help avoid the legislative impasse that has prevailed during the current administration, AMLO promised that he would not instruct PRD legislators in Congress how to vote. AMLO believes opposition legislators will support his initiatives on their merits and because of his own negotiating skills. AMLO is also confident that he will reach an agreement with the unions, long-time PRI supporters, to solve the public pension problem, but he has publicly opposed previous social security reforms and the private retirement accounts created as a result.

-----  
CALDERON PROMISES TOURISM DEVELOPMENT IN CANCUN  
-----

14. (SBU) During a trip to Cancun, Felipe Calderon presented his proposal to make tourism development a priority, saying he considers the sector a main driver of the economy. He proposed reducing bureaucratic hurdles to facilitate investment in the sector, creating just one office to manage the regulation of investments in tourism. Calderon proposed to diversify Mexico's tourist destinations by developing 100 municipalities with great tourism potential, but which have yet to be exploited for this purpose. As with his other proposals, Calderon stressed his desire for investments to be private-sector driven, noting, however, that Mexican investors should not be "disadvantaged." In Cancun he also voiced opposition to the possible closure of the Sheraton hotel in Mexico City on minor violations of city ordinances.

-----  
MEXICO 00000806 002 OF 002

BANKERS PRESENT TEN PRIORITIES TO CANDIDATES  
-----

15. (SBU) On February 7, bankers from Spanish-owned BBVA-Bancomer, the largest bank in Mexico, provided the candidates a list of ten priorities for the future president: consolidate macroeconomic stability, improve tax collection, offer a feasible pension scheme, increase the effectiveness of public expenditures, guarantee reliable energy supplies, improve human capital, promote flexible labor markets, strengthen respect for the law, strengthen competition, and facilitate market access. After the event, bankers voted on their preferred candidate with Calderon leading the poll with 459 votes, followed by Madrazo with 95, and AMLO, who didn't attend, with only 4. AMLO might have decided not to attend the event because of perceived hostility against him. He has proposed new investigations into the 1990s financial sector bailout (FOBAPROA) and the creation of regional development banks that would compete with private banks.

-----  
ENERGY STRATEGIES  
-----

16. (SBU) With broad agreement that the energy sector is key to Mexico's economic future, the candidates' energy proposals have been a staple of their campaigns. Many analysts, such as former Undersecretary of Energy and current advisor to the Mexican Competitiveness Institute, Juan Antonio Barges, believe that the candidates' energy proposals are still too vague. According to Barges, their proposals not only lack detail, but are largely dependent on other factors, such as the need for constitutional reform to allow for private investment.

17. (SBU) Calderon has been the most explicit about the opening of the energy sector to private investment, promising to decrease energy costs through joint-venture schemes. AMLO has promised to reduce domestic gas and

gasoline rates, construct three refineries, and reduce gasoline imports by 25%, while leaving the mechanisms unclear. Madrazo has been prompt to say that he would too reduce energy prices but that he is against the privatization of the state oil monopoly, Pemex, or the state electric utility, the CFE. He would only support the participation of private capital in co-generation projects and always under the state's close supervision. He has promised to channel oil revenue surpluses to investment in the sector. Neither Calderon nor Madrazo are willing to wade deeper into the energy issue for fear of alienating voters opposed to constitutional reform of the sector.

-----  
COMMENT  
-----

18. (SBU) Given the closeness of the race, the candidates seem to be playing it safe, focusing on non-controversial promises of improving education, creating employment, and helping the poor. This lack of boldness is understandable during the campaign, but it will not serve Mexico's economic future after the elections. Mexico needs leadership to minimize the power of corrupt and entrenched interest groups whose goal is to maintain the status quo. Madrazo's promise to the government workers' union to withhold support for needed pension reform is a bad omen. AMLO's promise to rule responsibly addresses a concern many voters have about him. But it also seems to contradict actions by PRD officials in Mexico City who are using their power to try to close the Sheraton hotel based on seemingly minor infractions, after the hotel expelled a Cuban delegation that was holding negotiations on energy issues with American businessmen. Calderon, meanwhile, is preaching to the choir by largely addressing audiences already disposed to supporting him.  
End Comment.  
GARZA